Vol.2, No. 2
February, 2002

Outlook

FOCUSING ON RETIREMENT ISSUES FOR MASSPORT EMPLOYEES PAST AND PRESENT

Published by the Massachusetts Port Authority Employees' Retirement System (MPAERS)

What About Brenda?

Opinion-Editorial by James P. Costello submitted to the Boston Globe on 1/11/02.

Brenda Lopes had it all planned. After 38 years in state service, it was time to start thinking about retirement. In two more years she would earn a full pension from the Massachusetts Port Authority and happily move to a new stage in her life – retirement. But then September 11th happened and that changed everything. Like many other Americans, Brenda was laid off and retired at age 59 with a significantly lower pension benefit than she had been planning on.

She was not alone. As another example, Jerry Nolan – after dedicating 30 years of his life to the Authority – had to make a life-changing decision and retired at age 59 with a much lower pension benefit than he and his wife planned. Jerry had no idea that early retirement legislation would be signed on the very same day that he retired.

Brenda and Jerry are just two of many people at the Port Authority whose lives were negatively impacted by the Authority's post-tragedy revenue losses and subsequent layoffs, but who you have not read about because they are not of political interest.

In dealing with the commonwealth's need to cut back expenses, Governor Swift, in her consistent display of humane sensitivity, proposed the Early Retirement Incentive (ERI) legislation as a way to mitigate the impact on individuals while still saving money. The legislation will reduce the state's payroll without causing the total emotional meltdown associated with massive layoffs. Governor Swift's plan, developed in conjunction with Secretary of Administration and Finance Stephen Crosby, was a well thought out incentive program.

However, by the time this legislation passed, Massport had already implemented its own plan because it could not wait. The Authority and its board of directors were immediately confronted with major decisions that no state agency has ever had to consider. Not only did the board face the horrific event itself, it was required to develop an improved aviation security program to restore public confidence in airport safety, while completing a comprehensive overhaul to manage its severe loss of revenue. Clearly, an economic recovery plan, including layoffs, had to be implemented immediately. As part of that plan, the Authority approved its own incentive program, offering eligible workers the option to retire with an additional one-time modest cash payment. Under the circumstances, the Authority believed this program was the most responsible action the board could support. Governor Swift's recently enacted ERI was not yet available.

> **" The [Massport] Board has until April 1, 2002 to approve an ERI that could include employees impacted by Septem-**

The legislation dealt with this circumstance and specifically includes Port Authority employees who were laid off before the legislation was enacted. Therefore, it provides an opportunity for the Authority to revisit the retirement issue and the Board has until April 1, 2002 to approve an ERI that could include employees impacted by

☞ **Continued on back page**

Editor's Note

By now you may have heard about the ***early retirement*** *legislation that Governor Swift signed into law on December 31, 2001. The law is primarily intended to reduce the ranks of state workers to assist in easing the Commonwealth's budget problems. It also makes it possible for the Massport Board of Directors to elect to provide enhanced pension benefits to eligible employees retroactive to September 30, 2001. Massport Chairman Mark E. Robinson has stated that the Authority feels it acted appropriately in its previous decision to offer a one-time cash payment as an incentive for eligible employees to retire as part of the Authority's Fiscal Recovery Plan. This plan was in place prior to the introduction of Governor Swift's legislation. However, at the request of some of our members, both active and retired, the Massport Board has agreed to consider data relevant to this issue and examine the costs and benefits of offering an early retirement incentive similar to the state's program. The Massport Board is expected to discuss the matter at its next meeting on February 21, 2002.*

Legislative Update

People with Part-Time Service Get a Boost from Madden Decision

A recent ruling by the State Supreme Court will affect Massport employees who have periods of part-time service prior to 1993. Due to the results of a case that recently appeared before the Supreme Judicial Court of Massachusetts (Nancy Madden vs. Contributory Retirement Appeal Board), part-time service cannot be pro-rated if it occurred prior to the date that the Retirement Board's regulation relating to pro-rating part-time service went into effect. Since this Board first implemented its *Supplementary Regulation on Creditable Service* on April 26, 1993, any part-time service completed prior to that date must be counted as full-time creditable service for retirement purposes. This will not affect any part-time service earned on or after April 26, 1993. That service will continue to be pro-rated based on actual hours worked.

If you are someone who may be affected by the Madden decision, please contact the retirement office for more information about how it will impact your total creditable service. This would also apply retroactively to retirees. If you are retired and think that your pro-rated service should have been credited in full, please let us know and we will research your creditable service history.

Please note that full-time service credit cannot be granted for any buyback of part-time service processed after April 26, 1993.

Retirement Fact

If you work part-time for your entire career, then you would be entitled to receive full creditable service upon retirement, as if you had worked full-time.

Tranbitions

★ Congratulations

The following people retired recently and we wish them all the best for a successful future:

December

- ★ John Clifford
- ★ John Hart
- ★ Fatima Khan
- ★ Robert Larsen
- ★ Joseph Luongo
- ★ Anne Meyer
- ★ Leon Perry
- ★ Kim Rocafort

January

- ★ Raymond Anderson
- ★ Maria Caraglia
- ★ Ralph Clark
- ★ Nick DelPrato
- ★ Helen DiTomaso
- ★ Marianne Duggan
- ★ Emilio Favorito
- ★ Lawrence Fitzpatrick
- ★ Michael Hayes
- ★ Debra Mattar
- ★ Gerald Nolan
- ★ Lucy Paluccio
- ★ Yvonne Petrosino
- ★ Geraldine Reis
- ★ Joseph Roberts
- ★ Pamela Weidner

℗ Condolences

We regret to inform you that the following retirees have passed away:

- ℗ Peter Foustoukos
- ℗ Robert Glasier
- ℗ Alice Kowilcik
- ℗ Joseph Mattera

We are also deeply saddened by the deaths of Anthony Cataldo from the Parking Garage, Bill Christo from Logan Airport Facilities, Barry Gomes from Materials Management, Sheryl Hodgdon from the Capital Programs department, and Ann Kelly from the Black Falcon Cruise Terminal.

We offer our condolences to friends and family members of the Massport retirees and employees who have recently passed away.

Lookout

Election Update

Because the two incumbent retirement board members were the only candidates to submit nomination papers by the deadline, it is unnecessary to conduct an election at this time. David W. Davis and Philip Mallett will continue to serve as the Board's elected members for the upcoming three year term which officially begins on January 11, 2002. The next retirement board election will take place in 2005.

Beware of Tax Refund Loans

H&R Block and other tax preparers have already started advertising their "Instant Money" refund loans for the current tax season. The Consumer Federation of America and the National Consumer Law Center have issued a warning about these high cost, high interest loans, which cost borrowers from $29 to $89 to get their refunds about 10 days earlier than they normally would. This results in consumers paying extraordinarily high interest rates of 67% to 774% for these low-risk loans.

Choosing a Retirement Option—the Basics

When it comes time for you to retire, one of the more difficult tasks you will face is choosing your retirement option. Deciding which is the "best" option depends on your individual situation, and the financial implications of each one should be given careful consideration. If you are married, the decision is even more important as you need to be sure that your spouse will have a steady source of income for the rest of his/her life in the event of your death. When you are ready to fill out your retirement paperwork you will be asked to choose from one of three payment options (A, B or C).

Option A (the Life Annuity) provides the maximum retirement allowance based on your age, service, salary and retirement group. It is paid to you monthly for the rest of your life – all payments stop upon your death. There are no beneficiary payouts or provisions. However, this would not affect health benefits as option selection is not tied to these benefits.

Option B (the Cash Refund Annuity) provides a slightly smaller retirement allowance –about 3-5 % less per month than Option A. Upon your death, any balance of your contributions to the plan would be refunded in a lump sum to your beneficiary.

It is important to know that a portion of your monthly pension check is taken from the contributions you made to the system. It typically takes between 12 – 15 years to deplete your account after which your payments would be paid entirely by the pension fund. Under Option B, if you should die before depleting your annuity account, your beneficiary would receive a lump sum payout of whatever is left in your account. If your account has been depleted, there will be no payment available to your beneficiary. During your retirement counseling session the retirement staff will show you approximately how long it would take to deplete your account, based on your individual circumstances.

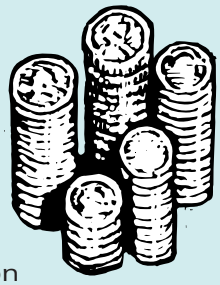
Option C (the Joint and Last Survivor Allowance) provides a smaller retirement benefit – on average a 20% reduction from Option A – paid to you monthly for the rest of your life and, upon your death, provides a monthly payment to your beneficiary for the remainder of his/her life. You may designate your spouse, parent, sibling, child or unmarried ex-spouse as your beneficiary. The beneficiary's monthly payment would be two-thirds of the reduced monthly allowance you were receiving.

The amount that you receive under Option C is based on the ages of you and your beneficiary. The younger your beneficiary, the greater your reduction would be (because we are guaranteeing payments for the rest of his/her life).

Option C "Pop-up"

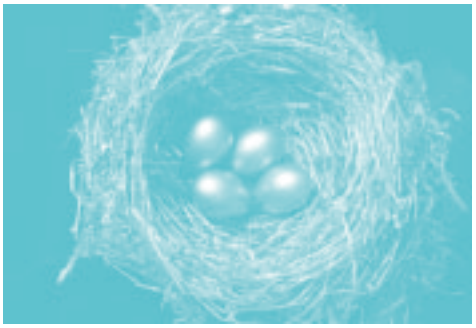
If you choose Option C and, after retiring, your beneficiary dies before you do, you would "pop-up" to the maximum retirement allowance that you would have received if you chose option A. This higher benefit will be paid for the remainder of your lifetime. You may not, however, choose another beneficiary.

Pension Max



Some of our members have expressed an interest in a strategy called pension maximization or "pension max" which is when a married person chooses the maximum pension benefit (Option A) and then purchases a life insurance policy to provide income for a surviving spouse. The problem with this tactic is that it's risky and you are open to insurance sellers who may not be looking out for your best interests. The pension max scenario would only work if: the amount of your Option A retirement allowance (after taxes and after paying the premium on the insurance policy) is greater than the amount you would have received under Option C; and, after your death, the money from the insurance policy will provide your spouse with an amount of income that is at least equal to what he/she would have received under Option C (including annual cost-of-living increases). If you are considering pension maximization, we urge you to consult with an independent financial advisor (i.e. not someone who is trying to sell you insurance products) so that you may fully understand the dynamics involved in this complicated decision.

The Added Value of Option C



"I'm picking Option A," says Joe, the plumber, as his wife, Marie, shrugs her shoulders."

Ok we'll be honest with you – we tend to cringe when we hear that. We don't do it all the time, of course – for some people it makes perfect sense to choose the maximum pension benefit. But for others, there is a serious risk involved (especially if your husband or wife depends on your income to survive), and we want to be sure that you are fully aware of the consequences. Although it is tempting to choose the maximum retirement benefit provided under Option A, we encourage married couples to closely examine the pros and cons of choosing Option C versus the others, before making this important life decision.

When people choose Option C for a retirement allowance they are taking, on average, a 20% reduction from the amount they would have received under Option A in exchange for a guaranteed survivor benefit. Those who choose Option A would receive the highest monthly benefit, but if you die and leave a husband or wife behind, your spouse receives nothing following your death – a very risky proposition for some. On the other hand, if you choose Option C you are guaranteeing your spouse a monthly income for the rest of his/her life, providing an invaluable sense of security.

Get Help

Choosing an option for your retirement allowance is one of the most important decisions you will make in your lifetime and not something to be taken lightly. Every individual is facing a different situation personally and financially so there is no set formula that works for everyone. If you are married and trying to determine which retirement option is best for you, careful consideration should be given to each option and how it would affect your overall financial picture. Life expectancies, personal savings, property, investments and other sources of income are all things that should be factored into the equation when making this choice.

Choosing an option for your retirement allowance is one of the most important decisions you will make in your lifetime

If you are close to retirement, we strongly encourage you to consult with a financial planner. A financial planner can examine your overall financial picture and assist you by mapping out your future needs and assets. This will be instrumental in choosing the retirement option that is most appropriate for your personal situation.

Whatever retirement option you ultimately choose, you should feel confident that you are making the right decision. The best way to achieve that is by mapping out a solid plan for the future and consulting with a qualified financial advisor.

Low Risk, High Security

A question we commonly hear is "What if I choose 'C' and my wife dies soon after I retire? Would I lose all that money?" The answer is NO because the retirement law includes something called the Option C "pop-up" provision which prevents that from happening. This means that if you choose Option C, (thus accepting a lower pension benefit to ensure the future financial security of your spouse) and your spouse pre-deceases you, then you would automatically "pop-up" to the maximum (Option A) retirement allowance, thus minimizing the risk you are taking. When making tough decisions about retirement, choosing Option C can sometimes be a win-win for people – guaranteeing security for your loved one, but also guaranteeing that you will not sacrifice a higher pension benefit in the event that your husband or wife pre-deceases you.

The Big Picture

When deciding which retirement option is most suitable for you, it is necessary to consider the long-term needs of both you and your spouse.

Your lifestyle changes when you retire and for most people, expenses tend to decrease. It would be beneficial to reflect on what you'll be doing after retirement and how your activities will affect your expenses and cash flow. For example, you may save money on transportation costs, lunches and dry cleaning that is no longer necessary in your post-retirement days, but you could also incur additional expenses due to certain hobbies or traveling you wish to do, not to mention the cost of inflation.

Obviously, there are a lot of factors to consider and a lot at stake, so please choose carefully and always let us know if you have any questions!

Free Admission to Spring Financial Conferences

Whether you believe in the money-under-the-mattress banking system or you're an experienced investor, it seems there are times when we could all use a little guidance.

Mark off Saturday, March 23rd on your calendar. That's the day when members of the retirement system can take advantage of a wealth of financial information circulating around Boston by attending one of two financial conferences being held that day.

Money Matters Personal Finance Conference

The Boston Globe is holding its annual Money Matters Personal Finance Conference (rescheduled from last November) on March 23, 2002 from 8 a.m. to 5 p.m. at the World Trade Center Boston. This conference features seven different tracks ranging from beginner to advanced. As an educational service, the retirement system will provide its members (active, inactive and retired) with FREE tickets (one per person). Note that tickets will be reserved on a first-come, first-served basis and there is a limited supply.

The Boston Globe MONEY MATTERS Personal Finance Conference and Expo

To register for Money Matters contact Lisa in the retirement office at (617) 568-3903. If you would like to bring a guest, you may do so at a discounted rate of $20 per guest and you must provide us with a check payable to the Boston Globe. For more information, including a list of session topics, access their web site at www.boston.com/moneymatters.

The Money Conference for Women

The Money Conference for Women is also being held March 23 and takes place from 8 a.m. to 5 p.m. at the Sheraton Boston. This event, hosted by State Treasurer Shannon O'Brien in partnership with the YWCA, is a FREE daylong conference that focuses on money management strategies for women of all ages, incomes and levels of financial knowledge. The featured speaker is Dee Lee and conference workshops include topics such as investing, retirement planning, getting out of debt, and choosing a financial advisor. Unlike the Money Matters event, this conference includes breakfast and lunch as well as complimentary childcare (so there's really no excuse not to go!). Although the event is FREE, advance registration is required – and this conference does fill up fast.

THE MONEY CONFERENCE FOR WOMEN
A joint project of State Treasurer Shannon O'Brien and the YWCA

To register for the Money Conference for Women visit their online registration site at www.money conferencefor women.com or call (800) 711-4451 to request materials by mail. Members of the Retirement staff have attended both conferences and recommend them highly.

If you are trying to choose between the two, we would recommend that beginners and Dee Lee fans alike check out the Money Conference for Women which provides a broader, more basic overview. Those interested in tackling a certain subject area more thoroughly may wish to attend the Globe conference, which better accommodates specific needs with session offerings such as *Preparing to Buy a Home* or *Making Ends Meet: Budgeting and Planning*. Feel free to call us if you have questions about either conference!

How To Register

• Boston Globe Money Matters

Contact Lisa in the retirement office at (617) 568-3903.
*** If you would like to bring a guest, you may do so at a discounted rate of $20 per guest and you must provide us with a check payable to the Boston Globe.**
For more information, including a list of session topics, access their web site at www.boston.com/moneymatters.

• Money Conference for Women

Visit their online registration site at www.moneyconferenceforwomen.com or call (800) 711-4451 to request materials by mail.

Watch for the next issue of *Outlook* which will feature a story on how to find a financial planner!

What About Brenda?/Continued from page 1

September 11th. However, it now appears that, because of political pressure and a concern that short-term political appointees might unfairly benefit, all Massport workers will be excluded from receiving the benefits that all other long-term state employees will receive. That means people like Brenda and Jerry are excluded. This would be unjust.

While Massport has been under a microscope lately, one thing that may have gotten lost in the shuffle is that a lot of ordinary people, who have no political connections, work there and are affected by the turmoil. Some might ask how these workers got their jobs, and while it is true that some Port Authority workers have been referred through the political process, it is important to remember that others achieved their positions in a more traditional fashion (i.e. responding to job postings, joining a union, seizing opportunities through affirmative action recruitment, and then performing long-term consistent, high quality work). Despite the negative portrayal and stereotyping of the Massport workforce that has occurred recently, the reality is that the greatest percentage of the Authority's employees are long-term, highly qualified professionals who quietly and consistently go about doing their jobs well.

Workers like Brenda Lopes and Jerry Nolan realize that employers have to make painful decisions, especially during these troubled times. However, they should not have to carry the burden alone. Massport's board is in a unique position to revisit its plan and consider improving difficult circumstances. They should adopt an ERI for long-term employees and allow Brenda, Jerry and others like them to retire with dignity and the maximum benefits allowed under the law.

James P. Costello is Chairman of the Massachusetts Port Authority Employees' Retirement System Board

Calendar

FEBRUARY

18 President's Day: Massport offices closed

25 Retirement checks mailed

27 Board Meeting: Logan Office Center, Board Room, 10 a.m.

MARCH

6 Open House, Logan Office Center, 2nd & 3rd floor lobby

17 Happy St. Patrick's Day!
Evacuation Day (Boston)

20 Spring begins

23 **Boston Globe Money Matters Personal Finance Conference**
World Trade Center Boston, 8 a.m. – 5:30 p.m.
Call Lisa at (617)568-3903 to reserve a seat
(available on a limited basis)
Money Conference for Women (free!)
Sheraton Boston, 39 Dalton Street, 8 a.m. – 5 p.m.
Call 1-800-711-4451 for registration materials or
register online at www.moneyconferenceforwomen.com

25 Retirement checks mailed

27 Board Meeting: Logan Office Center, Board Room, 10 a.m.

28 Passover

31 Easter

APRIL

7 Daylight Saving Time begins: Spring forward!

15 Patriot's Day: Massport offices closed

24 Board Meeting: Logan Office Center, Board Room, 10 a.m.
Administrative Professionals Day

**Meeting schedules are subject to change*

Retirement Board & Staff

Outlook is published quarterly by the Massachusetts Port Authority Employees' Retirement System (MPAERS)

One Harborside Drive
Suite 200S
Boston, MA 02128
(617) 568-3951

Managing Editor
Lisa Allen Brown
lbrown@massport.com

Contributors
Jim Costello

Design
Colvin/Williams, Inc.

Retirement Board
James P. Costello, *Chairman*
David W. Davis, *Elected Member* (nikidave@aol.com)
Michael A. Grieco, *Appointed Member*
Leslie A. Kirwan, *Treasurer-Custodian (ex officio)*
Philip H. Mallett, *Elected Member* (pmallett@mediaone.net)

Retirement Office Staff
Irene E. Moran, *Director of Retirement* (imoran@massport.com)
Nancy Bournival, *Financial Analyst* (nbournival@massport.com)
Lisa Allen Brown, *Retirement Communication Specialist* (lbrown@massport.com)
Laura E. Barbosa, *Retirement Coordinator* (lbarbosa@massport.com)